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March 23, 2005

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

Case 2005-000127

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MAR 25 2005

PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Case No.
GCR Filing Proposed to Become
Effective May 1, 2005

Dear Ms. O'Donnell:

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended January 31, 2005, for rates proposed to become effective May 1, 2005. Also included are an original and five copies of One-Hundred-Ninth Revised Sheet No. 2 and One-Hundredth-One Revised Sheet No. 5, to Equitable's PSC Kentucky No. 1 Tariff which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff.

This filing proposes a GCR rate of \$11.2975 per Mcf of sales, an increase of \$0.4571 per Mcf from the current PGA which was approved in Case No. 2004-00512 effective February 1, 2005.

For the purpose of forecasting its (EGC), Equitable is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the estimated cost of gas over 3 months beginning May 2005 and adding an additional \$0.27 Basis.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended January 2005. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended January 2005.

Schedules 4 and 5 are summaries of ACA components which are presently unreconciled.

Yours truly,

Robert M. Narkevic
Manager, Rates

Enclosures

EQUITABLE GAS COMPANY
A DIVISION OF EQUITABLE RESOURCES, INC.
200 ALLEGHENY CENTER MALL
PITTSBURGH, PA 15212-5352

ONE HUNDRED NINTH REVISED SHEET NO. 2
CANCELING
ONE HUNDRED EIGHTH REVISED SHEET NO. 2
P.S.C.K.Y. NO. 1

RATE

Customer: Various

Expiration: See "Special Conditions"

Point of Delivery:

At connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Equitable Gas Company's service area.

Rate:

Customer Service Charge: \$7.50

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate*</u>	=	<u>Total Rate</u>	
All Mcf	\$2.1322		\$11.2975 per MCF		\$13.4297	(I)

The minimum monthly bill shall be \$7.50.

*The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 4 and 5 of this tariff.

The following adjustment shall be made to the above rates:

- (1) Customer bills may also include gross receipts license taxes as authorized under the Kentucky Education Reform Act of 1990.

Gas delivered pursuant to this tariff is from pipelines owned and operated by Equitable Gas Company's supplier and all gas sold hereunder is made available by said supplier. Equitable shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Equitable's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

(I) Denotes Increase.

ISSUED: March 23, 2005

EFFECTIVE: May 1, 2005

D. L. Frutchey
Senior Vice President

PURCHASED GAS ADJUSTMENT CLAUSE
(Continued)

Definitions

For purposes of this tariff:

- a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased gas volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment; i.e., $GCR = EGC + RA + ACA + BA$.
- c. "Calendar Quarters" means each of the four three-month periods of (1) February, March, and April; (2) May, June, and July; (3) August, September, and October; (4) November, December, and January.
- d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates; i.e., the calendar quarters ended April 30, July 31, October 31, and January 31 of each year.

Gas Cost Recovery Rate (GCR):

Expected Gas Supply Cost (EGC)	10.1055	(I)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	0.8837	(I)
Balance Adjustment (BA)	<u>0.3083</u>	(D)
Total Gas Cost Recovery Rate per Mcf	11.2975	(I)

(I) Denotes Increase. (D) Denotes Decrease.

ISSUED: March 23, 2005

EFFECTIVE: May 1, 2005

D. L. Frutchey
Senior Vice President

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period May 1, 2005 through July 31, 2005

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf	10.1055
2	Supplier Refund (RA)	\$/Mcf	0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf	0.8837
4	Balance Adjustment (BA)	\$/Mcf	<u>0.3083</u>
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf	<u><u>11.2975</u></u>
<u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$	2,701,368 (a)
7	Total Annual Sales	Mcf	<u>267,317 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf	<u><u>10.1055</u></u>
<u>Supplier Refund Adjustment Summary</u>			
9	Current Quarter Refund Adjustment	\$/Mcf	0.0000 (c)
10	Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (d)
11	2nd Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (e)
12	3rd Previous Quarter Refund Adjustment	\$/Mcf	<u>0.0000 (f)</u>
13	Supplier Refund Adjustment (RA)	\$/Mcf	<u><u>0.0000</u></u>
<u>Actual Cost Adjustment Summary</u>			
14	Current Quarter Adjustment	\$/Mcf	0.6315 (g)
15	Previous Quarter Adjustment	\$/Mcf	(0.0262) (d)
16	2nd Previous Quarter Adjustment	\$/Mcf	0.0982 (e)
17	3rd Previous Quarter Adjustment	\$/Mcf	0.1802 (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf	<u><u>0.8837</u></u>
<u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf	(0.0625) (h)
20	Previous Quarter Adjustment	\$/Mcf	0.0066 (d)
21	2nd Previous Quarter Adjustment	\$/Mcf	0.3155 (e)
22	3rd Previous Quarter Adjustment	\$/Mcf	0.0487 (f)
23	Balance Adjustment (BA)	\$/Mcf	<u><u>0.3083</u></u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during November 2004 through January 2005.

(d) As approved in Case No. 2004-00512.

(e) As approved in Case No. 2004-00386.

(f) As approved in Case No. 2004-00255.

(g) See Schedule 4.

(h) See Schedule 5.

Equitable Gas Company
Kentucky Division

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended January 2005 At Supplier
Costs Estimated to Become Effective May 1, 2005

	<u>Purchases</u> (1) Mcf	<u>Purchases</u> (2) Dth	<u>Average Rate</u> (3) \$/Dth (a)	<u>Annual Cost</u> (4) \$ (2) x (3)
<u>PURCHASES</u>				
1 February 2004	41,774	80,353	8.4038	675,271
2 March	62,197	30,048	8.4038	252,517
3 April	29,296	41,554	8.4038	349,212
4 May	9,845	11,051	8.4038	92,870
5 June	6,030	7,307	8.4038	61,407
6 July	4,565	5,845	8.4038	49,120
7 August	4,963	6,148	8.4038	51,667
8 September	4,550	6,293	8.4038	52,885
9 October	7,305	8,661	8.4038	72,785
10 November	8,280	10,956	8.4038	92,072
11 December	40,732	52,191	8.4038	438,603
12 January 2005	47,781	61,039	8.4038	512,960
13 Total	<u>267,317</u>	<u>321,446</u>	<u>-</u>	<u>2,701,368</u>

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 3 month period, plus \$0.72065/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Equitable Gas Company
Kentucky Division

Summary of Sales

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Sales</u> (1) Mcf
1	February 2004	41,774
2	March	62,197
3	April	29,296
4	May	9,845
5	June	6,030
6	July	4,565
7	August	4,963
8	September	4,550
9	October	7,305
10	November	8,280
11	December	40,732
12	January 2005	47,781
13	Total	<u>267,317</u>

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
November 2004 through January 2005

<u>Description</u>	<u>Unit</u> (1)	<u>November</u> (2)	<u>December</u> (3)	<u>January</u> (4)	<u>Total</u> (5)
1 Supply Volume Per Invoice	Dth	10,956	52,191	61,039	124,186
2 Supply Cost Per Books	\$	104,999	517,535	487,991	1,110,526
3 Sales Volume	Mcf	8,280	40,732	47,781	96,793
4 EGC Rate in Effect (a)	\$/Mcf	9.7293	9.7293	9.7293	
5 EGC Revenue (Line 3 x Line 4)	\$	80,557	396,293	464,877	941,727
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	(24,442)	(121,242)	(23,114)	(168,799)
7 Total Current Quarter Actual Cost to be included in rates					(168,799)
8 Sales for the 12 Months Ended January 2005					267,317
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					0.6315

(a) Approved in Case No. 2004-00386.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period February 2004 through January 2005

	<u>Sales</u>	<u>ACA</u>	<u>ACA</u>	<u>Over/(Under)</u>
	(1)	Rate	Recovery	Collection
	Mcf	\$/Mcf	\$	Balance
			(1) x (2)	(4)
			\$	\$
Balance Approved by the Commission in Case No. 2003-00493				71,395
<u>Actual</u>				
February 2004	41,774	(0.2046)	(8,547)	62,848
March	62,197	(0.2046)	(12,725)	50,123
April	29,296	(0.2046)	(5,994)	44,129
May	9,845	(0.2046)	(2,014)	42,115
June	6,030	(0.2046)	(1,234)	40,881
July	4,565	(0.2046)	(934)	39,947
August	4,963	(0.2046)	(1,015)	38,932
September	4,550	(0.2046)	(931)	38,001
October	7,305	(0.2046)	(1,495)	36,506
November	8,280	(0.2046)	(1,694)	34,812
December	40,732	(0.2046)	(8,334)	26,478
January 2005	47,781	(0.2046)	(9,776)	16,702
Total	<u>267,317</u>		<u>(54,693)</u>	
Estimated Annual Sales				267,317 Mcf
Balancing Adjustment (\$1,929 ÷ 291,660 Mcf)				(\$0.0625) /Mcf

Equitable Gas Company
Kentucky Division

Summary of Proposed Tariff Rates

	<u>Current Tariff Rate</u>	<u>Current GCR Rate</u>	<u>Proposed GCR Rate</u>	<u>Difference</u>	<u>Proposed Tariff Rate</u>
	(1)	(2)	(3)	(4)	(5)
	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf
	(a)	(b)		(3) - (2)	(1) + (4)
All MCF	12.9726	10.8404	11.2975	0.4571	13.4297

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.
(b) Rate approved by the Commission at Case No. 2004-00512.

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Delivering Everyday Excellence™

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